銀城生活服務有限公司
YINCHENG LIFE SERVICE CO., LTD.
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1922)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022 AND CHANGE IN USE OF PROCEEDS

RESULTS HIGHLIGHTS

- Revenue in 2022 was approximately RMB1,712.9 million, representing an increase of approximately 26.8% as compared to approximately RMB1,351.3 million in 2021.
- Gross profit in 2022 was approximately RMB259.4 million, representing an increase of approximately 18.3% as compared to approximately RMB219.2 million in 2021. Gross profit margin in 2022 was approximately 15.1%.
- Profit in 2022 was approximately RMB112.6 million, representing an increase of approximately 18.8% as compared to approximately RMB94.8 million in 2021. Net profit margin in 2022 was approximately 6.6%.
- Profit attributable to owners of the Company in 2022 was approximately RMB106.7 million, representing an increase of approximately 20.3% as compared to approximately RMB88.7 million in 2021.
- Earnings per share attributable to ordinary equity holders of the Company in 2022 was RMB0.40 per share (2021: RMB0.33 per share).
- As at 31 December 2022, the contracted GFA of the Group's property management services was approximately 68.5 million sq.m., representing an increase of approximately 10.7% as compared to approximately 61.9 million sq.m. as at 31 December 2021.
- As at 31 December 2022, the GFA under management of the Group's property management services was approximately 65.3 million sq.m., representing an increase of approximately 11.1% as compared to approximately 58.8 million sq.m. as at 31 December 2021. In particular, the GFA under management regarding projects from independent third parties continued to maintain at a significantly high percentage and accounted for approximately 90.3% of the Group's total GFA under management.
- As at 31 December 2022, the Group's cash and cash equivalents amounted to approximately RMB292.1 million (2021: approximately RMB538.1 million).

The board of directors (the "**Board**") of Yincheng Life Service CO., Ltd. (the "**Company**") is pleased to announce the preliminary annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2022 with comparative figures for the year ended 31 December 2021. The annual results have been prepared in accordance with the International Financial Reporting Standards (the "**IFRSs**"). In addition, the annual results have also been reviewed by the audit committee of the Company (the "**Audit Committee**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	Notes	**Year ended 31 December 2022** *RMB'000*	2021 *RMB'000*
REVENUE	*4*	**1,712,934**	1,351,329
Cost of sales		**(1,453,580)**	(1,132,083)
GROSS PROFIT		**259,354**	219,246
Other income and gains		**16,643**	12,584
Selling and distribution expenses		**(4,804)**	(5,810)
Administrative expenses		**(93,650)**	(73,391)
Loss on disposal of investment property		**–**	(3,577)
Fair value gains on investment properties		**206**	1,026
Impairment losses on financial assets, net		**(17,214)**	(11,233)
Finance costs		**(7,279)**	(9,975)
Other expenses		**(1,843)**	(661)
Share of profits and losses of:			
Associates		**(1,257)**	(560)
Joint ventures		**627**	1,403
PROFIT BEFORE TAX		**150,783**	129,052
Income tax expense	*5*	**(38,180)**	(34,254)
PROFIT FOR THE YEAR		**112,603**	94,798
Profit attributable to:			
Owners of the parent		**106,734**	88,694
Non-controlling interests		**5,869**	6,104
		112,603	94,798
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic *(RMB)*		**0.40**	0.33
Diluted *(RMB)*		**0.40**	0.33

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Income tax relating to disposal of revaluated investment property that will not be reclassified	**–**	314
Exchange differences:		
Exchange differences on translation of foreign operations	**1,540**	(2,127)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	**1,540**	(1,813)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**1,540**	(1,813)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**114,143**	92,985
Total comprehensive income attributable to:		
Owners of the parent	**108,274**	86,881
Non-controlling interests	**5,869**	6,104
	114,143	92,985

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

		As at 31 December	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**89,570**	75,198
Investment properties		**50,794**	32,971
Right-of-use assets		**7,762**	5,054
Goodwill		**27,411**	27,411
Intangible assets		**18,732**	22,399
Investments in associates		**5,649**	3,855
Investments in joint ventures		**3,584**	4,273
Deferred tax assets		**14,720**	10,072
Pledged deposits		**1,876**	–
Total non-current assets		**220,098**	181,233
CURRENT ASSETS			
Inventories		**10,558**	3,547
Trade receivables	*9*	**342,083**	231,037
Due from related companies		**200,964**	103,355
Prepayments, deposits and other receivables		**100,473**	76,714
Financial assets at fair value through profit or loss	*8*	**76,434**	–
Pledged deposits		**2,101**	1,344
Cash and cash equivalents		**292,058**	538,131
Total current assets		**1,024,671**	954,128

	Notes	As at 31 December 2022 RMB'000	2021 RMB'000
CURRENT LIABILITIES			
Trade payables	*10*	**75,404**	44,514
Other payables, deposits received and accruals		**287,983**	247,002
Contract liabilities		**338,194**	295,835
Due to related companies		**13,146**	17,121
Interest-bearing bank and other borrowings		**112,066**	209,000
Lease liabilities		**7,822**	6,984
Tax payable		**20,682**	16,565
Total current liabilities		**855,297**	837,021
NET CURRENT ASSETS		**169,374**	117,107
TOTAL ASSETS LESS CURRENT LIABILITIES		**389,472**	298,340
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**6,480**	–
Lease liabilities		**8,987**	9,640
Deferred tax liabilities		**9,029**	9,864
Due to a non-controlling shareholder of a subsidiary		**–**	5,900
Total non-current liabilities		**24,496**	25,404
NET ASSETS		**364,976**	272,936
EQUITY			
Equity attributable to owners of the parent			
Share capital		**2,387**	2,387
Reserves		**322,300**	240,395
		324,687	242,782
Non-controlling interests		**40,289**	30,154
TOTAL EQUITY		**364,976**	272,936

NOTES TO FINANCIAL STATEMENTS

31 December 2022

1. CORPORATE AND GROUP INFORMATION

The Company is an exempted company incorporated in the Cayman Islands. The registered office address of the Company is at Sertus Chambers, Governors Square, Suite # 5-204, 23 Lime Tree Bay Avenue, P.O. Box 2547, Grand Cayman KY1-1104, the Cayman Islands.

The Company is an investment holding company. During the year ended 31 December 2022, the subsidiaries now comprising the Group were involved in the provision of property management services and value-added services.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRSs 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

The application of the amendments to IFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and on the disclosures set out in these consolidated financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 17	*Insurance Contracts*[1, 4]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "**2020 Amendments**")*[2]
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "**2022 Amendments**")*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 *Effective for annual periods beginning on or after 1 January 2023*

2 *Effective for annual periods beginning on or after 1 January 2024*

3 *No mandatory effective date yet determined but available for adoption*

4 *As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023*

5 *An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17*

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group's business which includes property management service income and value-added service income by project locations for the purpose of making decisions about resource allocation and performance assessment. As all the locations have similar economic characteristics and are similar in the nature of property management services, the nature of the aforementioned business processes, the type or class of customer for the aforementioned business and the methods used to distribute the property management services and value-added services, all locations were aggregated as one reportable operating segment.

Geographical information

No further geographical information is presented as the Group's revenue from the external customers is derived solely from its operation in Mainland China and no non-current assets of the Group are located outside Mainland China.

Information about major customers

No sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue for the reporting period.

4. REVENUE

Revenue mainly represents income from the property management services and value-added services.

An analysis of revenue is as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers	**1,708,966**	1,350,883
Revenue from other sources		
Gross rental income from investment property operating leases:		
Other lease payments, including fixed payments	**3,968**	446
	1,712,934	1,351,329

Revenue from contracts with customers

Disaggregated revenue information:

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Types of goods or services		
Property management services	**1,368,638**	1,082,123
Value-added services	**340,328**	268,760
Total revenue from contracts with customers	**1,708,966**	1,350,883
Timing of revenue recognition		
Recognised over time	**1,608,447**	1,287,775
Recognised at a point in time	**100,519**	63,108
Total revenue from contracts with customers	**1,708,966**	1,350,883

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Property management services	**280,708**	211,504
Value-added services	**13,628**	21,616

5. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiary incorporated in Hong Kong was not liable for income tax as it did not have any assessable profits arising in Hong Kong for the year ended 31 December 2022.

PRC corporate income tax has been provided at the rate of 25% on the taxable profits of the Group's PRC subsidiaries for the year. Some subsidiaries are qualified as small low-profit enterprises and thus the first RMB1,000,000 (2021: RMB1,000,000) of assessable profits of these subsidiaries are taxed at 2.5% (2021: 5%) and the remaining assessable profits are taxed at 5% (2021: 10%) for the year.

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Current tax:		
PRC corporate income tax	**43,663**	38,661
Deferred tax	**(5,483)**	(4,407)
Total tax charge for the year	**38,180**	34,254

A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the income tax expense at the effective income tax rate for each reporting year is as follows:

	2022	2021
	RMB'000	*RMB'000*
Profit before tax	**150,783**	129,052
At the statutory income tax rate (25%)	**37,697**	32,263
Lower tax rate for specific companies enacted by local authorities	**(1,497)**	(1,125)
Adjustments in respect of current tax of previous periods	**(209)**	(11)
Profits and losses attributable to joint ventures and associates	**135**	(95)
Expenses not deductible for tax	**500**	1,337
Deductible temporary differences not recognised	**41**	38
Withholding taxes on distributable profits of the subsidiaries in the PRC	**–**	676
Tax losses not recognised	**1,513**	1,171
Tax charge at the Group's effective rate	**38,180**	34,254

6. DIVIDENDS

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Proposed final – 2022: Nil (2021: HKD126 cents per 10 ordinary shares)	**–**	27,431

The directors of the Company intend to not declare of any dividend in respect of the year ended 31 December 2022.

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 267,152,000 (2021: 267,152,000).

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2022 (2021: Nil) in respect of a dilution as the impact of the share option outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

The calculations of basic and diluted earnings per share are based on:

	2022	2021
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**106,734**	88,694

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**267,152,000**	267,152,000

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022	2021
	RMB'000	*RMB'000*
Other unlisted investments, at fair value	**76,434**	–

The above unlisted investments were wealth management products issued by banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

9. TRADE RECEIVABLES

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**376,286**	253,051
Impairment	**(34,203)**	(22,014)
	342,083	231,037

Trade receivables arise from the provision of property management services and value-added services. Property management services income from properties managed under lump sum basis are received in accordance with the terms of the relevant property management services agreements and they are due for payment by the residents upon the issuance of demand notes by the Group. Income from the provision of repair and maintenance and other equipment upgrade services are received in accordance with the terms of the relevant contract agreements, normally within 60 days from the issuance of payment requests. Other value-added service income is due for payment upon the issuance of demand notes.

The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aging analysis of the trade receivables as at the end of the reporting period, based on the date of revenue recognition and net of loss allowance, is as follows:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**317,150**	215,156
Over 1 year and within 2 years	**19,095**	11,819
Over 2 years and within 3 years	**5,838**	3,494
Over 3 years	**–**	568
	342,083	231,037

The movements in the loss allowance for impairment of trade receivables are as follows:

	2022	2021
	RMB'000	*RMB'000*
At beginning of the year	**22,014**	14,436
Impairment losses	**12,189**	7,578
At end of the year	**34,203**	22,014

An impairment analysis was performed at each reporting date, using a provision matrix to measure expected credit losses. The provision rates were based on the aging of trade receivables for groupings of various customer segments with similar loss patterns. The calculation reflected the probability-weighted outcome, the time value of money and reasonable and supportable information that was available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables were written off if they are not considered recoverable by the Group and are not subject to enforcement activity.

10. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**72,793**	40,825
Over 1 year	**2,611**	3,689
	75,404	44,514

The trade payables are interest-free and are normally settled on terms of 60 to 90 days.

CHAIRMAN'S STATEMENT

"Remaining tenacious though struck and beats without rest, regardless of the wind from north or south, east or west". In 2022, China's property management industry continued to face great changes. Affected by the in-depth adjustment of the real estate industry since 2021, more and more property management enterprises have realised that they have entered the existing market competition, and the new order is being reconstructed, and the property management industry has entered a new development cycle. Under the multiple impacts of macro-economic downturn, recurrent outbreaks of the pandemic, volatile capital market and increasingly fierce competition in the industry, the Group, despite facing huge difficulties in 2022, still delivered a relatively satisfactory performance with the active efforts of the management and all staff, which was a strenuous achievement.

As regards the property management industry per se, we are well aware that it is a high-quality and promising industry with both social value and economic value. After more than 40 years' development, China's property management industry has just gone through the first spring season in the past few years and gradually emerged in the society with a mature attitude. The property management industry is not only included in the 14th Five-Year Plan Outline by the State Council, but also emphasised as an important industry for people's livelihood. Whether it is the Notice on Issuing the Guidelines for the Construction of Full Residential Communities issued by the Ministry of Housing and Urban-Rural Development in January 2022, or the Opinions on Further Promoting the Construction of Smart Communities issued by nine departments including the Ministry of Civil Affairs in May, or the Two Sessions held in early 2023, all show that property management is not only limited to the management of traditional residential or non-residential communities; Its extension is very broad, including community elderly care, childcare, renovation of old-urban communities, and even city services and city housekeeper services performed outside the community are all included in the scope of property management in the new era. The market size of the property management industry is becoming more and more enormous. However, are there enough excellent property management enterprises to assume the responsibility for people's livelihood? Is there a sufficient number of experienced property management enterprises capable of providing services with strong operational capabilities? Yincheng Life Service, as one of such enterprises, has undergone 25 years of development and operation. In particular, we were the first one of such enterprises to become market-oriented a decade ago, and we have accumulated extensive service capabilities, operation capabilities and expansion capabilities. We believed that we can continue to seize opportunities in the new order of property management and move forward steadily.

In 2022, based on the principle of "tapping into businesses with substance and returning to rationalisation", the Group shifted from GFA-oriented to revenue-oriented, from quantity-oriented to quality-oriented and from growth rate-oriented to input-output ratio-oriented, and attached importance to the healthy cash flow while focusing on profit. Under this principle, the Group has adjusted its internal organisational structure to make the functions of each business segment clearer, and improved the level of digitalisation and intelligence, so as to maximise the synergy and cooperation functions of various functional departments. At the same time, the Group further implemented the regional concentration strategy, adhered to Nanjing as the regional core, increased project layout, improved satisfaction and reputation, and consolidated its leading position in the Nanjing market; at the same time, we developed our business in the Yangtze River Delta area, gradually penetrated into Jiangsu, Zhejiang, Anhui as well as other provinces and municipalities.

In 2023, with the easing of the pandemic, we once again saw the smile of property owners. Our services shall be people-oriented, and face-to-face unreserved communication is particularly important to us. The energy accumulated in the winter is expected to blossom in the spring. Looking forward to the future, the road ahead would not be smooth, but as long as we could identify ourselves and believe in ourselves, and not be afraid of and actively respond to the difficulties we encountered, we will surely be able to move forward. Yincheng Life Service is committed to becoming an enterprise that is trusted by the clients, confided to by the clients, growing together with and respected by the clients.

Chairman
XIE Chenguang

PRESIDENT'S STATEMENT

Dear Board of Directors and Shareholders,

On behalf of the management, I am pleased to present the financial and business report of Yincheng Life Service CO., Ltd. for the financial year ended 31 December 2022 (the "**Period under Review**") and share the outlook for the coming year with you.

As predicted by the Group several years ago, China's property management industry will definitely shift from the incremental era to the inventory era, and 2022 would be the year of transition. As a result of the Group's forward-looking strategic deployment, the Group has actively acquired market projects in recent years with the positioning of "second-hand property operation expert", resulting in over 90% of the Group's GFA under management having obtained from independent third-party developers. This has enabled us to maintain a steady organic growth in 2022 amid the uncertain economic and social environment and the turbulent real estate industry. During the Period under Review, the Group's revenue and profitability basically reached the target set at the beginning of the year, so as to fulfil the Group's long-term value commitment with good results.

In response to the changes in the market and in combination with the Group's own positioning and development stages, we have made several strategic adjustments in 2022.

Continuous expansion of scale
From focusing on GFA to focusing on revenue

As at 31 December 2022, the Group's contracted GFA was approximately 68.5 million sq.m., representing a year-on-year increase of approximately 10.7%; GFA under management was approximately 65.3 million sq.m., representing a year-on-year increase of approximately 11.1%; total number of projects under management was 974, representing a year-on-year increase of approximately 16.4%. Although the business scale of the Group is still expanding, we have slowed down the pace to review the meaning and efficiency of each square metre. We adjusted our focus from the increase in GFA to the growth of revenue. During the Period under Review, the Group recorded revenue of approximately RMB1,712.9 million, representing a year-on-year increase of approximately 26.8%. Among which, revenue from property management services amounted to approximately RMB1,368.6 million, and revenue from value-added services amounted to approximately RMB340.3 million, accounting for approximately 79.9% and approximately 19.9% of the total revenue, respectively.

The business model of "Service Alignment, Business modularisation, Modules specialisation and Management digitalisation" can help the Group to achieve efficient cost management, but as the minimum wage level and social security contribution base in Jiangsu Province were adjusted several times in the second half of 2021 and in the first half of 2022, with cumulative increases of 13% and 26% respectively, and the number of employees increased with the expansion of the Group's business (by 32% in 2022), the Group's operating costs increased considerably during the Year under Review. Therefore, the Group took the advantage of our close project distribution to achieve resource sharing, and by taking the Group's cost-saving measures such as improving the level of digitisation and reducing non-essential expenses, and by withdrawing from low profit generating projects, the Group's gross profit and net profit were maintained at a reasonable level. During the Period under Review, the Group's net profit was approximately RMB112.6 million, representing a year-on-year increase of approximately 18.8%. Gross profit margin and net profit margin were approximately 15.1% and 6.6% respectively.

During the Period under Review, earnings per share of the Group was RMB0.4, representing a year-on-year increase of approximately 21.2%. Return on net assets was approximately 35.3%.

Operation capability improvement
From quantity concern to quality concern

Operation is the Key, Reputation Comes First (運營為王，口碑至上). We are well aware that the operation of every project under management has been recognised and recommended by the owners, which is the foundation for the Group to achieve its two-pronged development strategy of "keep existing clients" and "gain new clients". During the Period under Review, the renewal rate of the Group's existing customers remained at a high level of around 95%, and the overall customer satisfaction rate was approximately 90%. The collection rate of residential property customers for the year was approximately 90%, while the prepayment rate (i.e. the management fee for next year is paid in advance in the current year) was even as high as approximately 44.1%. These key operational indicators show that the Group has gained a high degree of trust from existing customers which are willing to maintain a long-term partnership with us.

Although due to the impact of the pandemic, the number of bidding projects in the market decreased significantly, coupled with irrational competition in the industry, resulting in the Group having to voluntarily give up some opportunities for external expansion, yet, the Group still added a net of 137 high-quality new projects. From focusing on the growth of the number of projects, we returned to focusing on the quality of the projects. Under our clear business model, the Group is committed to providing high-quality services for projects with sustainable and healthy growth. During the Period under Review, the Group's net GFA under management increased by approximately 6.6 million sq.m., and almost 95% of which came from contracts with third-party developers or property owners' committees. As the central government as well as provincial and municipal governments have promulgated provisions to promote the formation of property owners' committees, and even explicitly stipulated the establishment objectives of property owners' committees, we believe that with years of experience in the operation of second-hand residential quarters, the Group will be able to take advantage of its first-mover advantage in the larger market and gain popularity among new customers.

Residential property management is the root of the Group's survival. With the support of its stable foundation, the Group has also actively developed non-residential property management and urban service management in recent years. During the Period under Review, the Group's revenue contribution from non-residential projects accounted for approximately 52.2%, the number of projects under management increased by nearly 20%, and the total annualized contract amount reached approximately RMB801 million. Currently, the Group has provided services for 11 major categories of non-residential projects, including more than 20 projects under management in each of the categories of medical care, industrial parks, transportation facilities, government facilities, and financial institutions, etc., with rich experience accumulated. It is worth mentioning that the Group's medical care product line is developing rapidly, contributing revenue of approximately RMB175 million during the Period under Review, representing a year-on-year increase of approximately 15.1%.

Innovative life services
From community services to city services

Starting from the value proposition of "Gathering Love and Good Deeds ", the Group aims to enhance customer satisfaction and happiness at the core. The Group always adheres to providing customers with various value-added services that are in rigid demand, with high frequency, large volume and sustainability. The service radius is extended from the community to urban street corners, and the service targets are expanded from property owners to cab and internet taxi drivers, take-away riders and the general public. The Group is actively building the "Beautiful Neighbourhood"（美鄰）urban convenience service gathering platform. The platform is being used as an online portal to provide city-level new energy car charging, smart power exchange for riders, two-wheeled vehicle charging, smart parking, and value-added services such as delivery to home, home decoration, housekeeping, travel, home care, infant and child care, and citizen sports, thus creating a shared City-level good life.

By the end of 2022, the Group has installed more than 1,000 "這鯉換電" smart rider battery changing stations, serving more than 22,000 urban riders. During the Year under Review, those stations contributed to the revenue by approximately RMB38 million, representing a year-on-year increase of 2.8 times.

In mid-2022, the Group established the Big Zebra Smart Energy ("**Big Zebra**"), a newly-built subsidiary, and completed 7 commercial DC charging stations for city-operated vehicles by the end of the year, serving more than 6,000 internet taxi drivers. The daily charging capacity was up to 300 KWH per charging gun, and the revenue contribution amounted to approximately RMB700,000 per month. Meanwhile, Big Zebra constructed 40 property AC charging stations for the neighbourhood network and, combined with the strong offline service capability of Yincheng Life Service, it serves an average of 2,000 property owners per month, creating an innovative model of "home charging" for urban private car owners.

Passing on the spirit of kindness and love
By living our social values

Philanthropic love, good deeds and charitable aid are the spiritual connotations that Yincheng Life Service has been spreading and passing on.

The Group has always regarded its employees as a valued asset. We care for them not only at work level but also at personal level. Only by working and winning together can we go further. In order to help our employees meet their imminent needs, the Group established the "Goodwill Mutual Aid Association" among employees in late 2021. As of December 2022, the association had raised donations of approximately RMB2.26 million. It had approximately 8,000 members, including 96% of the middle and senior management of the Company. At present, there are 6 employees who have applied for and received financial support from the association.

By the end of 2022, the Group also set up the "Yincheng Charity Fund" to support school-age children. At present, the fund has more than 1,100 donors and the donation amounts to RMB320,000. Smalls things make big difference. Donations are just one of the ways to give back to the community. We hope that the spirit of "kindness" will always spur us on to become a better person and a better enterprise.

SUMMARY AND OUTLOOK

In 2022, despite all the hardships, Yincheng Life Service made concerted efforts and achieved stable organic growth. At the beginning of 2023, we have successfully tendered more than ten high-quality projects, hoping that a good start will lay a solid foundation for 2023.

In terms of overall strategy, the Group adheres to the strategy of deep cultivation of the Yangtze River Delta and regional concentration. We will continue to expand the layout of the Nanjing metropolitan area, expand the southern Jiangsu urban agglomeration and incubate the Huaihai metropolitan area. While striving for a larger market share in Nanjing, we will replicate the successful experience of Nanjing to more cities to establish scale effect and brand effect. On the basis of maintaining high-quality property services, we will increase the coverage and penetration of value-added services to improve the overall gross profit margin.

The Group has adhered to the road of marketisation for many years. The process is difficult, but the direction is correct. Now that we have reached a critical period, whether we can use our accumulated experience to hold on steadily to our advantages and follow the trend, this would become an examination of our determination and adaptability. The Group will, as always, be down-to-earth, excel in every detail and take every future step well, and strive to become a respected century-old enterprise.

President
LI Chunling

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The Group is an established property management service provider in the PRC with over 25 years of industry experience that engages in the provision of diversified property management services and value-added services. As at 31 December 2022, the Group's property management services covered 22 PRC cities, of which 18 cities are in the Yangtze River Delta Megalopolis, with the gross floor area ("**GFA**") under management reaching approximately 65.3 million sq.m. The Group managed 974 properties, including 600 residential properties and 374 non-residential properties, serving over 560,000 households which covers over 1.8 million people as at 31 December 2022.

The Group's business covers a wide spectrum of properties, including residential properties and 11 types of non-residential properties. The Group operates its business along two main business lines, namely the provision of (i) property management services; and (ii) value-added services. Leveraging on the Group's business scale, operational efficiency, excellent service quality, development potential and social responsibility, the Group obtained various awards in 2022 including ranking the 17th among the China Top 100 Property Management Companies*（中國物業服務百強企業）, ranking the 3rd among the Top 50 Property Management Companies of Jiangsu Province（江蘇省物業服務行業綜合實力五十強企業）and ranking the 1st in the Nanjing Property Management Industry Credit Handbook Directory（南京市物業管理行業信用手冊名錄）in three consecutive years.

The Group adheres to its business motto of "Operation is the Key, Reputation Comes First（運營為王、口碑至上）" and service concept of "Living+（生活+）" and "Industry+（產業+）", and has adopted the special business model of "Service alignment, Business modularisation, Modules specialisation and Management digitalisation（服務網格化、業務模塊化、模塊專業化、管理數據化）" to serve and create value for its customers with quality property management services.

Property Management Services

The Group provides a wide range of property management services that comprises security services, cleaning services, car park management, repair and maintenance of specialised elevators, escalators and mechanical car park equipment, gardening and landscaping services, daily repair and maintenance of equipment and machinery and ancillary customer services.

The contracted GFA and GFA under management

As at 31 December 2022, the Group's contracted GFA was approximately 68.5 million sq.m., representing an increase of approximately 10.7% as compared to its contracted GFA at approximately 61.9 million sq.m. as at 31 December 2021. The increase was mainly attributable to an increase in the number of projects undertaken by the Group from its new customers and existing customers leveraging on the Group's solid reputation, customers' recognition and market strength.

As at 31 December 2022, the Group's GFA under management was approximately 65.3 million sq. m., representing an increase of approximately 11.1% as compared to its GFA under management at approximately 58.8 million sq.m. as at 31 December 2021. The increase was mainly attributable to the Group's solid and high quality services and market reputation which enables the Group to have a competitive advantage in the industry, leading to it being able to secure the engagement as the property management service provider for properties that are pending delivery to the owners during its preliminary stage from property developers and completed properties from property owners' associations and property developers by replacing the then existing property management service providers.

In view of the Group's strong market expansion capabilities, the number of new contracted projects undertaken from property owners' associations accounted for a larger proportion as compared to those undertaken from property developers, and such contracted projects have quickly become the Group's projects under management a few months after the Group has been engaged as the property management service provider. As such, the Group's contracted GFA and GFA under management in 2022 were similar.

The Group had 974 managed properties as at 31 December 2022, representing an increase of approximately 16.4% or 137 managed properties as compared to its 837 managed properties as at 31 December 2021.

The table below sets out the Group's (i) contracted GFA; (ii) GFA under management; (iii) number of contracted properties; and (iv) number of managed properties, as at the dates indicated:

	As at 31 December		
	2021	**2022**	*Increase*
Contracted GFA*(Note)* *('000 sq.m.)*	61,944	68,533	*10.6%*
GFA under management*(Note)* *('000 sq.m.)*	58,761	65,328	*11.2%*
Number of contracted properties	863	999	*15.8%*
Number of managed properties	837	974	*16.4%*

Note: The above GFA excludes service engagements solely for the provision of repair and maintenance of specialised elevators, escalators and mechanical car park equipment and gardening and landscaping services, without engaging the Group for other property management services.

Geographic Coverage

The Group has grown from a local property management service provider in Nanjing to one of the leading property management service providers in both Nanjing and the Jiangsu Province. As at 31 December 2022, our property management services covered 22 PRC cities, of which 18 cities are in the Yangtze River Delta Megalopolis. The Group has actively expanded its business to cities outside Nanjing and have made rapid progress, in particular in Sunan and Huaihai districts. As at 31 December 2022, the GFA under management in districts outside Nanjing had an increase by approximately 8.1%, reaching approximately 39.4% of the Group's total GFA under management.

The table below sets out the breakdown of (i) the Group's GFA under management; and (ii) the number of the Group's managed properties by geographic region as at the dates indicated:

	As at 31 December					
	2021		2022			
	GFA under management (Note) ('000 sq.m.)	Number of managed properties	GFA under management (Note) ('000 sq.m.)	*Increase* %	Number of managed properties ('000 sq.m.)	*Increase* %
Nanjing	34,969	643	39,612	*13.3*	742	*15.4*
%	*59.5*		*60.6*			
Districts outside Nanjing	23,792	194	25,716	*8.1*	232	*19.6*
%	*40.5*		*39.4*			
Total	**58,761**	**837**	**65,328**	*11.2*	**974**	*16.4*

Note: The above GFA excludes service engagements solely for the provision of repair and maintenance of specialised elevators, escalators and mechanical car park equipment and gardening and landscaping services, without engaging the Group for other property management services.

The table below sets out the breakdown of the Group's property management services revenue by geographic region for the periods indicated:

	For the year ended 31 December			
	2021		2022	
	RMB'000	*%*	*RMB'000*	*%*
Nanjing	822,914	76.0	988,590	72.2
Districts outside Nanjing	259,209	24.0	380,048	27.8
Total	**1,082,123**	**100.0**	**1,368,638**	**100.0**

Types of Property Management Services

The Group provides property management services in respect of both residential and non-residential properties. As at 31 December 2022, the non-residential properties managed by the Group comprised 11 types of properties, namely government facilities, financial institutions, property sales offices, medical institutions, commercial complex, parks, transportation facilities, industrial parks, mixed-use properties, schools and office buildings.

While the provision of property management services in respect of residential properties is the foundation of the Group's revenue generation and scale expansion, the Group is actively seeking to improve its brand awareness in the non-residential sector by diversifying its services offerings to include other types of non-residential properties, optimising its project portfolio and adjusting its business structure. The Group's provision of property management services in respect of non-residential properties has grown rapidly and reached a total of 374 projects as at 31 December 2022.

The table below sets out the breakdown of (i) the Group's GFA under management; and (ii) the number of the Group's managed properties by property types as at the dates indicated:

	As at 31 December					
	2021		2022			
	GFA under management (Note)	Number of managed properties	GFA under management (Note)	*Increase*	Number of managed properties	*Increase*
	('000 sq.m.)		*('000 sq.m.)*	*%*		*%*
Residential properties	46,406	525	50,770	*9.4*	600	*14.3*
Non-residential properties	12,355	312	14,558	*17.8*	374	*19.9*
Total	**58,761**	**837**	**65,328**	*11.2*	**974**	*16.4*

Note: The above GFA excludes service engagements solely for the provision of repair and maintenance of specialised elevators, escalators and mechanical car park equipment and gardening and landscaping services, without engaging the Group for other property management services.

The table below sets out the breakdown of the Group's revenue and gross profit margin from property management services by property types for the periods indicated:

	For the year ended 31 December				
	2021		2022		
	Revenue	Gross profit margin	Revenue	*Increase*	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*%*
Residential properties	561,395	7.0	654,209	*16.5*	5.6
%	*51.9*		*47.8*		
Non-residential properties	520,728	13.1	714,429	*37.2*	12.9
%	*48.1*		*52.2*		
Total	**1,082,123**	**10.0**	**1,368,638**	*26.5*	**9.4**

The revenue contribution from non-residential properties reached approximately RMB714.4 million in 2022, representing an increase of approximately 37.2% as compared to that in 2021 and has, for the first time, exceeded the revenue from residential properties, accounting for approximately 52.2% of the Group's total revenue.

Revenue Model

For the year ended 31 December 2022, all of the Group's property management fees were charged on a lump sum basis.

Project Sources

The Group is known for its market-oriented model and has strong external expansion capabilities. As at 31 December 2022, over 90.3% of the Group's GFA under management and approximately 95% of the GFA newly gained in 2022 were obtained from the market, either from property owners associations or independent third party property developers. At the same time, the Group has also been providing property management services to Yincheng International Holding Co., Ltd. and Yincheng Real Estate Group Co., Ltd.*（銀城地產集團股份有限公司）and each of their subsidiaries (collectively, "**Yincheng Group**"), and has been generating stable income from such property projects at their preliminary stage.

The table below sets out the breakdown of (i) the Group's GFA under management; and (ii) the number of the Group's managed properties by project sources as at the dates indicated:

	As at 31 December				
	2021		2022		
	GFA *(Note)*	Number	GFA *(Note)*	*Increase*	Number
	('000 sq.m.)		*('000 sq.m.)*	*%*	
Projects from independent third parties	52,759	807	58,992	*11.8*	942
%	*89.8*		*90.3*		
Projects from Yincheng Group	6,002	30	6,336	*5.6*	32
%	*10.2*		*9.7*		
Total	58,761	837	65,328	*11.2*	974

Note: The above GFA excludes service engagements solely for the provision of repair and maintenance of specialised elevators, escalators and mechanical car park equipment and gardening and landscaping services, without engaging the Group for other property management services.

The table below sets out the breakdown of revenue generated from the Group's property management services by project sources for the periods indicated:

	For the year ended 31 December		
	2021	2022	
	Revenue	Revenue	
	RMB'000	*RMB'000*	*Increase %*
Projects from independent third parties	974,472	1,249,798	*28.3*
%	*90.1*	*91.3*	
Projects from Yincheng Group	107,651	118,840	*10.4*
%	*9.9*	*8.7*	
Total	1,082,123	1,368,638	*26.5*

Value-added Services

The Group provides value-added services to property owners and residents of its managed properties with an aim to enhance the level of convenience at its managed communities and customer experience, satisfaction and royalty.

The Group's value-added services mainly include (i) common area value-added services; (ii) community convenience services; and (iii) city services. The Group's common area value-added services include rental of advertising space and the provision of management services of the community's common area and spaces. The Group's community convenience services refer to the comprehensive and diversified convenience services provided by the Group in response to the owners' needs, including but not limited to rental of gym and membership services, the use of express delivery cabinets, home renovation, housekeeping, home and elderly care and operation of staff canteens for non-residential properties owners. In recent years, the Group has introduced city services through intensive project deployment to provide services to clients other than residents in communities under management, including charging of electric vehicles and the rider battery swap service. The city services have grown rapidly and increased its revenue contribution to the Group.

For the year ended 31 December 2022, the Group's revenue generated from the provision of value-added services amounted to approximately RMB340.3 million, representing an increase of approximately 26.6% as compared to that of approximately RMB268.8 million for the year ended 31 December 2021. Such increase was mainly attributable to an increase in the number of projects undertaken by the Group and the diversification of the scope of services provided by the Group following its continuous business development.

The table below sets out the breakdown of the Group's revenue and gross profit margin of value-added services for the periods indicated:

	For the year ended 31 December				
	2021		2022		
	Revenue	Gross profit margin	Revenue	*Increase/ (decrease)*	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*%*
Value-added services					
(i) Common area value-added service	174,525	52.2	216,460	*24.0*	48.0
(ii) Community convenience services	84,646	22.2	86,149	*1.8*	22.0
(iii) City services	9,589	10.5	37,719	*293.4*	10.2
Total	**268,760**	**41.3**	**340,328**	*26.6*	**37.2**

Impact on the COVID-19 Pandemic

The outbreak of COVID-19 pandemic has brought great challenges to the property management industry in 2022, but has also highlighted the value and contribution of the industry to the society. Notwithstanding the increase in costs incurred in purchasing pandemic prevention materials, there was no material adverse impact of the COVID-19 pandemic on the Group's operations, financial performance and financial position.

In response to the needs of property owners and residents and for their convenience during the COVID-19 pandemic, the Group launched a number of new value-added services in 2022. As a result of the increasing demand for these services during the COVID-19 pandemic, the Group had in fact generated more revenue in its provision of value-added services as compared to 2021.

The COVID-19 pandemic in the past three years has fostered closer relationships between property management services providers and property owners and residents. With the pandemic coming to an end, the Group foresees that more residential communities will begin the tendering for property management companies again. Equipped with our excellent operational capabilities and reputation gained in the past three years, we believe that we will be able to bid more high-quality projects and serve more property owners in the post-pandemic era.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 26.8% from approximately RMB1,351.3 million for the year ended 31 December 2021 to approximately RMB1,712.9 million for the year ended 31 December 2022 as a result of (i) an increase in the number of residential and non-residential projects undertaken by the Group and which led to an increase in the income from the provision of property management services; (ii) the diversification of the scope of value-added services provided by the Group following its continuous business development.

The table below sets out the breakdown of the Group's revenue by business segments for the periods indicated:

	For the year ended 31 December			
	2021		2022	
	RMB'000	*%*	*RMB'000*	*%*
Property management services	1,082,123	80.08	1,368,638	79.90
Value-added services	268,760	19.89	340,328	19.87
Others *(Note)*	446	0.03	3,968	0.23
Total	**1,351,329**	**100.00**	**1,712,934**	**100.00**

Note: Representing gross rental income from investment property operating leases: other lease payment, including fixed payments.

Revenue from the provision of property management services increased by approximately 26.5% from approximately RMB1,082.1 million for the year ended 31 December 2021 to approximately RMB1,368.6 million for the year ended 31 December 2022. Such increase was primarily due to the continuous increase in (i) the Group's GFA under management in residential properties projects; and (ii) the number of non-residential properties projects undertaken by the Group.

Revenue from the provision of value-added services increased by approximately 26.6% from approximately RMB268.8 million for the year ended 31 December 2021 to approximately RMB340.3 million for the year ended 31 December 2022. Such increase was primarily due to an increase in (i) the number of projects under management; (ii) increase in value-added services provided to the projects under management due to the optimisation of the property management environment; and (iii) the diversification of the scope of services provided by the Group.

Cost of Sales

The Group's cost of sales consists of labour costs, subcontracting costs, equipment operation and facility maintenance costs, material costs, depreciation of right-of-use assets, office expenses and others.

The Group's cost of sales increased by approximately 28.4% from approximately RMB1,132.1 million for the year ended 31 December 2021 to approximately RMB1,453.6 million for the year ended 31 December 2022, primarily due to an increase in the number of staff as a result of the expansion of the Group's business.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Group's gross profit increased by approximately 18.3% from approximately RMB219.3 million for the year ended 31 December 2021 to approximately RMB259.4 million for the year ended 31 December 2022. The gross profit margin decreased slightly from approximately 16.2% for the year ended 31 December 2021 to approximately 15.1% for the year ended 31 December 2022. Such decrease was primarily due to (i) an increase in the number of staff of the Group as a result of the expansion of its business; and (ii) the fact that the minimum wage level in the Jiangsu Province has increased by approximately 13% since August 2021, while the social security base in the Jiangsu Province has increased in July 2021 and January 2022 respectively, with the aggregate increment being approximately 26%, resulting in a substantial increase in the wages and social insurance payable by the Group, and hence a substantial increase in staff costs.

Other Income and Gains

The Group's other income and gains mainly represents interests income, investment income, government grants, gain on disposal of items of property, plant and equipment, fair value gains on financial assets at fair value through profit or loss and others.

The Group's other income and gains increased by approximately 31.7% from approximately RMB12.6 million for the year ended 31 December 2021 to approximately RMB16.6 million for the year ended 31 December 2022, primarily due to the receipt of tax subsidy from the government.

Selling and Distribution Expenses

The Group's selling and distribution expenses consist primarily of staff costs, advertising and promotional expenses, office expenses, business development expenses, travelling expenses and others.

The Group's selling and distribution expenses decreased by approximately 17.2% from approximately RMB5.8 million for the year ended 31 December 2021 to approximately RMB4.8 million for the year ended 31 December 2022, primarily due to effective cost control conducted by the Group.

Administrative Expenses

The Group's administrative expenses primarily include staff costs, professional fees, office expenses, business development expenses, rental expenses, travelling expenses, depreciation and amortisation, bank charges, taxes and others.

The Group's administrative expenses increased by approximately 27.7% from approximately RMB73.4 million for the year ended 31 December 2021 to approximately RMB93.7 million for the year ended 31 December 2022, primarily due to an increase in staff costs as a result of the Group's business expansion.

Impairment Losses on Financial Assets, Net

The Group's net impairment losses on financial assets increased by approximately 53.6% from approximately RMB11.2 million for the year ended 31 December 2021 to approximately RMB17.2 million for the year ended 31 December 2022, primarily due to an increase in trade and related companies receivables of the Group.

Finance Costs

The Group's finance costs mainly include interest on bank borrowings and other loans and interest on lease liabilities in relation to lease liabilities recorded for properties leased by the Group for operation of its offices and fitness centres.

The Group's finance costs decreased by approximately 27.0% from approximately RMB10.0 million for the year ended 31 December 2021 to approximately RMB7.3 million for the year ended 31 December 2022, primarily due to the repayment of short-term borrowings of approximately RMB104 million.

Income Tax Expense

The Group's income tax refers to PRC enterprises income tax at a tax rate of 25% on taxable profits of its subsidiaries incorporated in the PRC. Some subsidiaries of the Group are qualified as small-low-profit enterprises and thus are subject to a preferential tax rate of 2.5% to 5% for the year ended 31 December 2022.

The Group's income tax expense increased by approximately 11.4% from approximately RMB34.3 million for the year ended 31 December 2021 to approximately RMB38.2 million for the year ended 31 December 2022, primarily due to an increase in the profit before tax.

* *For identification purpose only*

Profit for the Year

As a result of the foregoing, the Group's profit increased by approximately 18.8% from approximately RMB94.8 million for the year ended 31 December 2021 to approximately RMB112.6 million for the year ended 31 December 2022. Profits attributable to owners of the Company for the year ended 31 December 2022 amounted to approximately RMB106.7 million, representing an increase of approximately 20.3% as compared to the corresponding period in 2021. The net profit margin was approximately 6.6% for the year ended 31 December 2022, down 0.4 percentage points from approximately 7.0% in the corresponding period in 2021. While the net profit margin decreased slightly, it was still at a normal level. The decrease is due to the decrease in gross profit margin.

Liquidity, Reserves and Capital Structure

The Group adopts a prudent funding and treasury policy and maintained a healthy financial position during the year ended 31 December 2022. The Group's current assets amounted to approximately RMB1,024.7 million as at 31 December 2022, representing an increase of approximately 7.4% as compared to that of approximately RMB954.1 million as at 31 December 2021. The Group's cash and cash equivalents amounted to approximately RMB292.1 million as at 31 December 2022, representing a decrease of approximately 45.7% as compared to that of RMB538.1 million as at 31 December 2021, primarily due to (i) a decrease in short-term borrowings by approximately RMB90.5 million; (ii) an increase in staff costs by approximately RMB104.8 million; (iii) the amount of tax paid increased by approximately RMB19.2 million; and (iv) a increase in financial assets at fair value through profit or loss by approximately RMB76.4 million.

The Group's total equity amounted to approximately RMB365.0 million as at 31 December 2022, representing an increase of approximately 33.7% as compared to that of approximately RMB272.9 million as at 31 December 2021. Such increase was mainly due to (i) an increase in the profit of approximately RMB17.8 million during the year; (ii) an increase in total comprehensive income of approximately RMB21.2 million; and (iii) the declaration of 2021 final dividends of approximately RMB27.3 million.

Property, Plant and Equipment

The Group's property, plant and equipment amounted to approximately RMB89.6 million as at 31 December 2022, representing an increase of approximately 19.1% as compared to that of approximately RMB75.2 million as at 31 December 2021. This was primarily due to the increase of office equipment, electronic and other devices purchased during the year.

Trade Receivables

The Group's trade receivables primarily consist of receivables for its property management services and value-added services from its customers. The Group's trade receivables amounted to approximately RMB342.1 million as at 31 December 2022, representing an increase of approximately 48.1% as compared to that of approximately RMB231.0 million as at 31 December 2021. This was primarily due to (i) the increase in the Group's revenue in 2022; and (ii) the combined effect of the increase of the Group's non-residential properties projects, and the usual practice of non-residential properties customers paying property management fee once per quarter.

Prepayments, Deposits and Other Receivables

The Group's prepayments, deposits and other receivables amounted to approximately RMB100.5 million as at 31 December 2022, representing an increase of approximately 31.0% as compared to that of approximately RMB76.7 million as at 31 December 2021. This was mainly due to an increase in deposits and other receivables including bid bond and performance bond as a result of an increase in the number of property management projects undertaken by the Group.

Due from Related Companies

The Group recorded due from related companies of approximately RMB201.0 million as at 31 December 2022, representing an increase of approximately 94.4% as compared to that of approximately RMB103.4 million as at 31 December 2021. The increase was primarily due to there being (i) approximately RMB55.6 million (2021: Nil) deposits of carparking space to Yincheng International Holding Co., Ltd., and (ii) approximately RMB31.0 million advance to Jiangsu Jingan Security Services Ltd.* (江蘇京安保安服務有限公司), a company owned as to 33.97% by the Group.

Trade Payables

The Group's trade payables primarily consist of payables to suppliers and subcontractors. The Group's trade payables amounted to approximately RMB75.4 million as at 31 December 2022, representing an increase of approximately 69.4% as compared to that of approximately RMB44.5 million as at 31 December 2021. This was mainly due to an increase in the number of property management projects undertaken by the Group.

Other Payables, Deposits Received and Accruals

The Group's other payables, deposits received and accruals amounted to approximately RMB288.0 million as at 31 December 2022, representing an increase of approximately 16.6% as compared to that of approximately RMB247.0 million as at 31 December 2021. This was mainly due to (i) an increase in the collection and remittance of public expenses resulted from the increase in the number of property management projects undertaken by the Group; and (ii) an increase in the remuneration payable to staff as a result of the increase in the number of staff brought by the business expansion of the Group.

Contract Liabilities

The Group receives payments from its customers based on billing schedules as provided in the property management agreements. A portion of the payments are usually received in advance of the performance under the contracts which are mainly from the provision of property management services.

The Group's contract liabilities amounted to approximately RMB338.2 million as at 31 December 2022, representing an increase of approximately 14.3% as compared to that of approximately RMB295.8 million as at 31 December 2021. This was mainly due to the Group's practice of collecting part of the property management fees for the upcoming year in advance during the previous year, and therefore, the increase in the scale of the Group's projects has led to an increase in the amount of property management fees received in advance.

Borrowings

As at 31 December 2022, the Group had interest-bearing bank and other borrowings of RMB118.5 million, as compared to RMB209.0 million as at 31 December 2021. The Group's borrowings are all denominated in RMB.

The table below sets out the Group's total borrowings and effective interest rates as at the dates indicated:

	As at 31 December			
	2022	**Effective interest rate**	2021	Effective interest rate
	RMB'000	***(%)***	*RMB'000*	*(%)*
Current:				
Bank loans – secured	**105,000**	**4.35**	209,000	4.20-4.35
Other borrowings – secured	**7,066**	**6.08-7.67**	–	–
Non-current				
Other borrowings – secured	**6,480**	**6.08-7.67**	–	–
Total	**118,546**		209,000	

The table below sets out the repayment schedule of the Group's borrowings as at the dates indicated:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Repayable within one year	**112,066**	209,000
Repayable in the second year	**6,235**	–
Repayable in the third to fifth years, inclusive	**245**	–
	118,546	209,000

Financial Risks

The Group is exposed to risks arising from its financial instruments such as interest rate risk, credit risk and liquidity risk.

Interest Rate Risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings.

The Group does not use derivative financial instruments to hedge interest rate risk, and obtains all bank borrowings with a fixed rate.

Credit Risk

The Group classifies financial instruments on the basis of shared credit risk characteristics, such as instrument types and credit risk ratings for the purpose of determining significant increases in credit risk and calculation of impairment.

The carrying amounts of cash and cash equivalents, the fair values of pledged deposits, trade receivables, financial assets included in prepayments, deposits and other receivables, and amounts due from related companies included in the statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets as at 31 December 2022.

As at 31 December 2022, all cash and cash equivalents were deposited in high-credit-quality financial institutions without significant credit risk.

Liquidity Risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings. Cash flows are closely monitored on an ongoing basis.

Foreign Exchange Risk

As all of the Group's businesses are conducted in the PRC, revenue and profits for the year ended 31 December 2022 were denominated in RMB. The major foreign currency source for the Group is the fundraising following the successful listing on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in 2019, all of which were in Hong Kong dollars. As at 31 December 2022, the Group did not have significant foreign currency exposure from its operations. The Group currently has not used derivative financial instruments to hedge its foreign exchange risk. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Gearing Ratio

The Group's gearing ratio is calculated based on net debt divided by total capital plus net debt. The Group includes, within net debt, interest-bearing bank and other borrowings amounts due to related companies and lease liabilities, less cash and cash equivalents. The Group's capital represents equity attributable to owners of the Company. As at 31 December 2022, the Group's gearing ratio was not applicable.

Pledge of Assets

As at 31 December 2022, the Group's bank and other borrowings were secured by: (i) certain of the Group's buildings with a net carrying amount of approximately RMB22.5 million; (ii) certain of the Group's office equipment, electronic and other devices with a net carrying amount of approximately RMB17.3 million; (iii) the Group's investment properties with an aggregate carrying amount of approximately RMB34.8 million; (iv) the Group's right of receipt of property management fee and new energy vehicle station charging fee managed by the Group in the future; and (v) a mortgage over the entire issued share capital of Nanjing Zhihui Meijia Technology Service Co., Ltd.*（南京智慧美佳科技服務有限公司）, an indirect wholly-owned subsidiary of the Company.

Save as disclosed above, the Company had no other pledged assets as at 31 December 2022.

Contingent Liabilities

The Group had no material contingent liabilities or guarantees as at 31 December 2022.

Significant Investments Held

Save as disclosed in this announcement, the Group did not hold any significant investment during the year ended 31 December 2022.

Employees and Remuneration Policies

As at 31 December 2022, the Group had a total of 9,166 employees (2021: 6,930 employees). The Group offers employees competitive remuneration packages that include fees, salaries, allowances and benefits in kind, bonuses and pension scheme contribution, equity-settled and share option scheme and social welfare. The Group contributes to social insurance for its employees, including medical insurance, work-related injury insurance, retirement insurance, maternity insurance, unemployment insurance and housing funds.

Future Plans for Material Investments and Capital Assets

The Group will continue to focus on its existing property management services and value-added services. Save as disclosed in the Prospectus, no concrete plan for future investment is in place as at the date of this announcement.

Material Acquisition and Disposal

During the year ended 31 December 2022 and up to the date of this announcement, the Group did not perform any material acquisition or disposal of subsidiaries and associates.

Subsequent Events

The Directors are not aware of any material events undertaken by the Group subsequent to 31 December 2022 and up to the date of this announcement.

USE OF PROCEEDS FROM THE LISTING AND CHANGE IN USE OF PROCEEDS

Use of Proceeds

The Company was successfully listed on the Main Board of the Stock Exchange on 6 November 2019 with the issue of 66,680,000 new shares. The total net proceeds (the "**Net Proceeds**") from the listing of the shares of the Company on the Main Board of the Stock Exchange (including the exercise of the Over-allotment Option (as defined in the prospectus of the Company dated 25 October 2019 (the "**Prospectus**")) amounted to approximately HK$131.4 million after deducting the underwriting fees and commissions and other expenses in connection with the Global Offering (as defined in the Prospectus). As at 31 December 2022, the amount of Net Proceeds which remained unutilised amounted to approximately HK$38.6 million (the "**Untilised Net Proceeds**").

As explained below, after due and careful consideration of the current business environment and development needs of the Group, the Board has recently resolved to change the use of the Unutilised Net Proceeds by reallocating the entire HK$38.6 million of the Unutilised Net Proceeds originally allocated for expanding the Group's business by mergers and acquisitions or investments in order to expand its market shares in the property management service industry in the PRC, pursuant to the original allocation as disclosed in the Prospectus, to general working capital for the Group. Set out below is the actual utilisation of the Net Proceeds as at 31 December 2022 and the proposed change of use of the Unutilised Net Proceeds:

	Planned use of proceeds in total *HK$'000*	Actual use of proceeds as at 31 December 2022 *HK$'000*	Remaining balance of net proceeds as at 31 December 2022 *HK$'000*	Revised allocation of remaining net proceeds *HK$'000*	Expected timeline for utilising the remaining net proceeds
Continue to expand the Group's business by mergers and acquisitions or investments in order to expand its market shares in the property management service industry in the PRC	78,853	40,261	38,592	–	Not applicable
Invest in intelligent systems to improve the Group's service quality and enhance its customers' experience	19,713	19,713	–	–	Not applicable
Upgrade the Group's internal information technology system to enhance operational efficiency	13,142	13,142	–	–	Not applicable
Continue to recruit more technical and managerial talents and, at the same time, provide training to the Group's employees for the expansion of its operations	6,571	6,571	–	–	Not applicable
General working capital	13,142	13,142	–	38,592	31 December 2023

Reasons for the proposed change in use of Net Proceeds

The original expected timeline for utilising the remaining Net Proceeds in respect of the expansion of the Group's business by mergers and acquisitions or investments in order to expand its market shares in the property management service industry in the PRC was by 31 December 2022.

Although the Group has been striving to seek merger and acquisition targets that can bring synergies and offer reasonable acquisition consideration to the Group, the Group has been unable to identify suitable acquisition target(s) for the past two years. The Board is of the view that reallocating the Unutilised Net Proceeds to general working capital will allow the Group to more effectively, among others, (i) bid for more and higher quality projects; (ii) improve customer service; and (iii) capture business opportunities by strengthening its brand image and by formulating and implementing targeted marketing strategies. The change in the use of the Unutilised Net Proceeds allows the Group to deploy its financial resources more efficiently and to make better use of this fund for general operating needs based on the Group's current operations and the actual market conditions.

In view of the above, the Board has decided to reallocate the Unutilised Net Proceeds originally intended for expansion by mergers and acquisition or investments to general working capital. The Directors are of the opinion that the proposed change of use of the Unutilised Net Proceeds is in the best interests of the Company and its Shareholders as a whole.

OTHER INFORMATION

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022.

ANNUAL GENERAL MEETING

A notice convening the annual general meeting of the Company (the "**AGM**") will be published and despatched to the Shareholders as soon as practicable in accordance with the articles of association of the Company and the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The record date and closure of books for the purpose of ascertaining the Shareholders' entitlement to attend and vote at the AGM will be announced in due course.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: HK$1.26 per ten ordinary shares).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the corporate governance code (the "**Corporate Governance Code**") contained in Appendix 14 to the Listing Rules as its own code on corporate governance. During the year ended 31 December 2022 and up to the date of this announcement, the Company has complied with the Corporate Governance Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. All Directors confirmed, after having made specific enquiry with the Company, that they have complied with the Model Code during the year ended 31 December 2022 and up to the date of this announcement.

REVIEW OF PRELIMINARY ANNOUNCEMENT BY THE AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with the Corporate Governance Code. As at the date of this announcement, the Audit Committee comprises three members, namely Mr. Chow Siu Hang, Mr. Mao Ning and Mr. Xie Chenguang.

The Audit Committee has reviewed and discussed the annual results for the year ended 31 December 2022. The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by the Group's auditor, Ernst & Young, Certified Public Accountants of Hong Kong ("**Ernst & Young**"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young in this announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and that of the Company (www.yinchenglife.hk). The annual report will be dispatched to the shareholders of the Company and will be available on the website of the Stock Exchange and that of the Company in due course.

By order of the Board
Yincheng Life Service CO., Ltd.
XIE Chenguang
Chairman

Nanjing, China
28 March 2023

As at the date of this announcement, the executive Directors are Mr. Li Chunling and Ms. Huang Xuemei; the non-executive Directors are Mr. Huang Qingping, Mr. Xie Chenguang, Mr. Ma Baohua and Mr. Zhu Li; and the independent non-executive Directors are Mr. Chow Siu Hang, Mr. Li Yougen and Mr. Mao Ning.

* *for identification purpose only*